

HOUSE BILL REPORT

ESHB 1865

As Passed House:

January 11, 2006

Title: An act relating to sales and use taxes related to the state route 16 corridor improvements project.

Brief Description: Modifying sales and use taxation related to the state route 16 corridor improvements project.

Sponsors: By House Committee on Transportation (originally sponsored by Representatives Kilmer, Woods, Lantz, Appleton, Talcott, Green and Williams).

Brief History:

Committee Activity:

Transportation: 2/24/05, 3/5/05 [DPS].

Floor Activity:

Passed House: 3/11/05, 79-14.

Floor Activity:

Passed House: 1/11/06, 94-2.

Brief Summary of Engrossed Substitute Bill

- State sales and use taxes that are deferred for the Tacoma Narrow Bridge project do not have to be repaid.
- Road and bridge projects that are funded a minimum of 80 percent by direct user fees are exempt from sales and use taxes.

HOUSE COMMITTEE ON TRANSPORTATION

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 24 members: Representatives Murray, Chair; Wallace, Vice Chair; Woods, Ranking Minority Member; Skinner, Assistant Ranking Minority Member; Appleton, Buck, Campbell, Curtis, Ericksen, Hankins, Hudgins, Jarrett, Kilmer, Lovick, Morris, Nixon, Rodne, Sells, Shabro, Simpson, B. Sullivan, Takko, Upthegrove and Wood.

Minority Report: Do not pass. Signed by 1 member: Representative Dickerson.

Staff: Gary Lebow (786-7304).

Background:

State construction projects are imposed sales and use taxes authorized by 82.08, 82.12 and 82.14 Revised Code of Washington (RCW). The taxes are imposed on labor, materials, services and equipment which is essentially the entire contract.

The Tacoma Narrows Bridge toll project currently has a sales and use tax deferral. The taxes are deferred for five years after tolling is commenced which is currently estimated to begin in 2007. In 2012, the tax would become due and is payable in 10 equal and annual installments.

Summary of Engrossed Substitute Bill:

Sales and use taxes imposed on the Tacoma Narrows Bridge project under 82.08 and 82.12 RCW for which a deferral has been granted do not need to be repaid. Local sales and use taxes imposed by 82.14 RCW remain deferred.

Road and bridge projects where 80 percent or more of the cost is paid or recovered through direct user fees are exempt from sales and use taxes.

Appropriation: None.

Fiscal Note: Not requested.

Effective Date: This bill takes effect 90 days after adjournment of session in which bill is passed.

Testimony For: This bill has some impact on the General Fund, however, this exemption will not affect any budget until the year 2012. Toll payers will be paying in excess of \$2 million for the project over approximately 30 years. The community is concerned about that much money flowing out of the community.

This is the largest transportation project currently under construction and it is mainly funded through the imposition of tolls.

Please keep the local sales tax in place, it's important to the local governments.

A family will pay more than \$3,000 a year in tolls, so this bill is important to lessen the impact. I don't think we'll see another project fully or nearly fully funded by tolls.

It will be important, in the future, to keep the costs down on transportation projects funded by tolls in order for the region to remain competitive in business.

Any relief that can be provided will be greatly appreciated.

Testimony Against: None.

Persons Testifying: Representative Kilmer, prime sponsor; Representative Lantz; Bob Draggoo, Gig Harbor/Peninsula Area Chamber of Commerce; Mark Hoppen, City of Gig

Harbor; David Pope, Washington State Department of Transportation; and Terry Lee, Pierce County Council.

Persons Signed In To Testify But Not Testifying: None.